

Unclassified

English - Or. English

7 June 2024

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE**

**Working Party No. 2 on Competition and Regulation**

**Competition and Regulation in Professional Services – Note by Kazakhstan**

10 June 2024

This document reproduces a written contribution from Kazakhstan submitted for Item 8 of the 77th meeting of Working Party 2 on 10 June 2024.

More documents related to this discussion can be found at  
[www.oecd.org/competition/competition-and-regulation-in-professional-services.htm](http://www.oecd.org/competition/competition-and-regulation-in-professional-services.htm)

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## *Kazakhstan*

### 1. Introduction

1. The professional services sector is becoming increasingly important and dynamic in the Republic of Kazakhstan. Competition in this sector has a significant impact on business development and public life. From lawyers and auditors to consultants and engineers, professional services play a key role in ensuring the efficient functioning of the market. However, effective regulation of this sector is necessary to ensure fair competition and to protect consumer interests. In this context, it is important to consider the regulatory mechanisms, existing problems and challenges, as well as the prospects for the development of this segment of the economy in the country.

### 2. Features of audit regulation in Kazakhstan

2. In 2020, as part of the legislative improvement of audit regulation, some amendments and additions have been made to the Law of the Republic of Kazakhstan “On Audit Activity”, which led to the creation of the Professional Council on Audit Activities (*hereinafter – PCAA*).

3. In 2015-2016, the competent authority Ministry of Finance of the Republic of Kazakhstan, together with the UNCTAD and the Association of Chartered Certified Accountants (ACCA) conducted an assessment of the corporate reporting infrastructure of the Republic of Kazakhstan. Based on the assessment results, the corporate reporting via received recommendations have been brought into line with the requirements of the International Standards for the Education of Accountants and the best international practice. This led to increase the number of disciplines and to separate examinations part from the learning process.

4. It is noted in the recommendations the need to ensure uniformity and consistency for the exam modules and programmes for auditors and to consider **establishing an independent oversight body (now is the PCAA)**.

5. In international practice, the admission of audit organisations to the public audit activity (*including listed companies*) is carried out by independent external quality control bodies.

6. In particular, the changes affected the interests and activities of private professional audit organisations, as the functions of external quality control and attestation of candidate auditors were transferred to the PCAA.

7. At the same time, the PCAA was established in 2021 and its Board includes representatives of professional audit organisations.

8. At the same time, however, a certain part of the audit community currently disagrees with the existence of the PCAA and requires the action the adoption of measures **to repeal the amendments** that provided for the creation of the PCAA, as an independent supervisory body.

9. For instance, the proposals of the public bodies, such as the Association of Auditors and Audit organisations of Kazakhstan PJSC, the Institute of Audit organisations and

Auditors of Kazakhstan PJSC and the Collegium of Auditors PJSC lies in the abolishing the PCAA and switch to self-regulation.

10. The competent state body (*Ministry of Finance of the Republic of Kazakhstan*) notes that self-regulation does not solve the problems and does not increase confidence in auditors. The transfer of these functions to the PCAA was caused by the deterioration in the quality of audit reports (*less than 1% of audit reports with a negative opinion are issued*), which reduced confidence in audit organisations.

### 3. The role of antitrust regulation in the auditing area

11. Within the framework of case study with the exclusive position of the PCAA, the Competition Authority of the Republic of Kazakhstan proposed to consider the reasonability of state regulating on the existence of a state monopoly or a special right.

12. Thus, in accordance with Article 193 of the Entrepreneurial Code of the Republic of Kazakhstan, the subject of a state monopoly or a special right can be a legal entity with 100 per cent state participation in the legal form of a state enterprise, joint stock company or limited liability partnership.

13. However, PCAA is a non-profit organisation and is not a Joint Stock Company, a Limited Liability Partnership or a state-owned enterprise.

14. Therefore, the activity of PCAA is not subject to price regulation within the framework of a state monopoly or a special right.

15. The currently by the authorised state body (*the Ministry of Finance of the Republic of Kazakhstan*) was established a Commission to discuss proposals for further improvement of the legislation on auditing, which is considering the above disputed issues concerning the audit organizations' activities.

### 4. Conclusion

16. The issues of Kazakhstan's audit industry regulation emphasise the importance of finding a balance between government intervention and self-regulation. Addressing these issues requires a broad dialogue between stakeholders to create effective mechanisms that promote the development of the industry and ensure its stability and transparency.

17. In the framework of antitrust regulation of professional services, it is significant to ensure competition in the markets, protect the interests of consumers and ensure the efficient functioning of the industry.